

Memorandum

To: Panel Members Date: June 26, 2003

From: Charles Lundberg, Manager
Peter DeMauro, General Counsel Analyst: R. Hernandez

Subject: Proposed Agreement for **Elk Grove Unified School District**
(www.egusd.k12.ca.us)

CONTRACTOR:

- Multiple Employer: Training Agency
- Training Project Profile: Job Creation: Training of Unemployed Workers
- Legislative Priorities: Displaced/Potentially Displaced Workers
- Type of Industry: Various Industries
- Repeat Contractor: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: None of the core group of employers is represented by collective bargaining agreements.

CONTRACT:

- Program Costs: \$272,250
- Substantial Contribution: \$0
- Multiple Employer Support (%) \$0
- Total ETP Funding: \$272,250
- In-Kind Contribution: \$472,000
- Maximum Contractor Charge: 0 per trainee
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Sacramento
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

None

THIRD PARTY SERVICES:

(Need to contact S. Duscha for info.)

PRIOR PROJECTS:

This is the second project with the Elk Grove Unified School District (EGUSD). The following reflects completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET00-0256	Sacramento	03/06/00 – 03/05/02	\$239,134	\$132,153	55%

The previous project was originally funded for \$110,368 to train and place 16 unemployed individuals. Amendments were subsequently approved to phase in 22 additional trainees. However, the Contractor overestimated the number of trainees to be trained and placed.

NARRATIVE:

The proposed Contractor requests Panel funds under California Unemployment Insurance Code (CUIC) Section 10200(b)(4) to train workers who have been displaced, have received notification of impending lay off, or are subject to displacement because of workforce reduction. The EGUSD is eligible to contract with the Employment Training Panel under CUIC 10205(c) as a training agency.

Located in southern Sacramento County, the EGUSD covers 320 square miles and includes the City of Elk Grove, portions of the City of Sacramento, and portions of the unincorporated area of Sacramento County. This year the district will serve more than 52,500 students.

Although Elk Grove district employs approximately 5,000 individuals, district representatives report that California's budget problems will force lay offs. Elk Grove officials have announced a \$44 million reduction including personnel cuts among its classified employees (managers, instructional assistants, clerical, custodial, and food service workers). The lay offs, which began in April, are expected to impact 100 employees.

This program proposes to provide classroom/laboratory and Structured, On-Site Training (SOST) to 75 laid off workers and place them in new private sector jobs. Training will target EGUSD laid off employees, custodians, maintenance workers, clerical and administrative staff, and teaching assistants. Persons trained will be unemployed and receiving unemployment insurance benefits or persons who have received a notice of lay off. All trainees will be trained for new jobs with for-profit employers and other ETP-eligible employers. Most of the persons targeted for this project currently earn \$10 to \$15 an hour and have worked at the Elk Grove district for three years. The largest number of lay offs will occur by June 30, 2003.

NARRATIVE: (continued)

The proposed re-employment plan will be coordinated by the district's Adult and Community Education department which has operated re-employment centers for private employers laying off workers. The re-employment plan will include the following: 1) Counseling from district human resources personnel and union representatives. 2) Transition assistance and re-employment services. 3) A detailed vocational assessment of each employee. 4) Outplacement services including job search, job development, and follow-up. 5) Classroom/laboratory training, including personal computer skills and job search techniques. 6) Specifically designed on-the-job training after hire into a new job.

The district, together with the trainee and the employer, will develop a customized training program. The program will begin with 30-100 hours of classroom/laboratory training. In most cases, classroom training will begin prior to job placement and will take place in district classrooms. SOST training consisting of 200-600 hours will follow classroom/laboratory training and will be provided at the employer's worksite. The Elk Grove district plans to prepare a specific SOST training plan that includes ETP-approved training topics, the hours the trainee will spend on these topics, and a recordkeeping process to insure that the trainee performs the necessary new skills on the job. In addition, specific trainer activities will be listed and a recordkeeping process to document trainer's activities will be maintained. The training will be customized for each group of trainees from a menu curriculum consisting of the following types of training:

Business Skills classroom training will consist of business math, bookkeeping and accounting, payroll and human resource systems, merchandising, business writing, negotiation skills, listening skills, customer relations, and identifying customer needs. The SOST component will include the same topics identified in the classroom/laboratory training and will add the following topics: inventory management, product knowledge, conflict management, interpersonal skills, telephone skills, handling customer requests and complaints, and transactions.

Computer Skills classroom training and SOST will consist of word processing, spreadsheets, databases, networking, and presentations.

Continuous Improvement Skills classroom training will consist of problem solving and teambuilding and the SOST component will add quality concepts and applications, process improvement, leadership, communications, and shop math.

Manufacturing Skills training will be provided as SOST and will include machine setup, machine operations, troubleshooting, maintenance, standard operating procedures, warehousing, assembly procedures, and inventory control.

Special Education training will also be provided as SOST and will include working with autistic children.

According to EGUSD representatives, the proposed curriculum is generic so the program may serve additional participating employers with varying needs.

This project has been developed in cooperation with the unions that represent the affected EGUSD employees: The American Federation of State County and Municipal Employees (AFSCME) Local 258, which represents food service workers, custodians, maintenance workers, clerical, and other administra-

NARRATIVE: (continued)

tive workers and The California School Employees Association, Local 831, which represents teaching assistants.

Employer Demand

Employers will be recruited through the Sacramento Works South County Career Center, a one-stop center operated by the Elk Grove Unified School District. The center uses its existing roster of employers who participate in other center activities. In addition, employers will be recruited through telephone solicitation, personal visits to local employers, and through job fairs.

Through interviews with participating employers in the core group, the district has determined that participating employers are seeking experienced workers, similar to those being laid off from the Elk Grove district. Although specific training needs will be assessed individually, by trainee and by employer, prior to the start of training, the initial assessments conducted by EGUSD indicate a demand for persons trained as customer service representative, custodian, bookkeeping clerk, and special education aide (autism).

During training, each employer will provide district personnel a progress report on each trainee to ensure continuous participating employer feedback on the effectiveness of the training.

Employer demand has not been demonstrated. Panel staff cannot determine employer demand for the proposed skills training because the employer's certification statements are incomplete. The Elk Grove representative requests the Panel accept the forms as submitted.

Justification of High Cost

The proposed cost per trainee will average \$3,630, which is more than double the ETP average cost per trainee (\$2,630). The high cost is directly linked to the average number (512 hours) of classroom/laboratory and SOST hours. Elk Grove district officials certify that the trainee's wages and the potential for career advancement will vary and the district will do everything it can to help workers find new jobs at good wages with good chances for advancement.

In-Kind Contribution

An in-kind amount of \$472,500 is based on trainee's wages during SOST (75 trainees x 450 average SOST hours x \$14.00 per hour average wage).

COMMENTS:

Request the Panel to lift Moratorium of SOST

In July 2002, California State University, Northridge (CSUN) submitted a final report on Panel-funded SOST. The CSUN study found that: (1) too often SOST funds reimburse normal supervision activities; (2) companies often use unstructured coaching, mentoring, and trouble-shooting, instead of true SOST; (3) contract administrators often focus on billing trainer hours rather than trainees' achieving competencies; (4) accurate monitoring of SOST is difficult; (5) SOST reimbursement is often unrelated to

COMMENTS: (continued)

actual costs; and (6) "SOST only" projects pay above market prices for one-on-one counseling and generic classroom training. Subsequently, in August 2002, the Panel imposed a six-month moratorium on the funding of SOST in proposed projects and directed staff to take the following actions:

- Conduct two formal work sessions in the northern and southern parts of the State to obtain critical input from ETP stakeholders.
- Consult with ETP stakeholders and develop an alternative SOST model that (a) meets criteria for being structured; (b) can be effectively monitored; and (c) is administratively achievable given current budget constraints.
- Report back to the Panel with SOST recommendations in February of 2003.

At the February 2003 Panel meeting, after discussing and considering the results of public meetings, staff analysis, SOST options, and staff recommendations, the Panel voted unanimously to continue the moratorium until such time as the Panel decides to revisit the issue.

The Elk Grove Unified School District requests the Panel lift its Moratorium on SOST for displaced, public sector workers for the following reasons:

- Classroom training alone cannot ensure the transition of the trainees into new jobs. Specific skills training must be added to more general classroom training for employees to succeed in their new jobs.
- Specific skills training cannot be taught in classroom. There is no single large employer who can take on large number of displaced public sector employees at one time. Trainees will be placed and trained one or two at a time as jobs open up. It is not feasible to organize classroom training for one or two persons at a time.
- The only way to provide effective, job-specific skills training is through SOST.
- To prevent the possibility of SOST abuse, the Elk Grove district plans to include the following safeguards: (1) The Elk Grove district will guarantee the academic integrity of the program. (2) Education professionals will develop individual SOST training plans for each trainee. These plans will list specific training activities, competencies to be attained, and schedules. (3) The training time will be adjusted from 0 to 600 hours, depending upon the needs of each trainee and their new employer. For every 10 hours of training time, EGUSD will ensure that a trainer spends at least one hour working with trainees. (4) Training will be divided between EGUSD educators and company personnel. The EGUSD staff will work with company personnel to ensure that training opportunities are available to the trainee and that the individual training plans are followed. (5) All training will take place at employer's worksites.
- The EGUSD requests a SOST reimbursement rate of only \$6.00 per hour, 25 percent less than the \$8.00 per hour rate previously used by ETP.

Panel staff does not recommend the Panel lift its moratorium of SOST for the following reasons:

- New hire projects historically funded by the Panel have been for classroom/laboratory training only and the strength of Multiple Employer Contracts has been this method of training. The

COMMENTS: (continued)

Panel recognizes that most employers provide on-the-job training to newly hired employees. On-the-job training for new hires is only allowed as an in-kind contribution.

- The occupations to be trained, customer service representatives and custodians, are not specialized occupations or industry specific and the curriculums, both classroom/laboratory and SOST, do not indicate job specific training. In addition, because the trainees will be coming from similar occupations (clerical, custodial, and food service workers), staff questions the appropriateness of providing skills training to customer service representatives and custodians.
- In the previous EGUSD project, the ETP program successfully trained and placed 21 unemployed individuals as computerized accountants/bookkeeping clerks. The training program consisted of 455 hours of classroom/laboratory training only. The EGUSD has not demonstrated the need to provide SOST for bookkeeping clerk training.
- The curriculum for special education aide (autism) consists solely of on-the-job training and training topics have not been identified. Under Title 22, California Code of Regulations, Section 4425. Structured, On-Site Training (a)(1) it states, "When included in a training program, SOST shall follow classroom and/or laboratory instruction." The SOST must be accompanied by classroom/laboratory training, it cannot stand alone.
- All of the safeguards included in this proposal have been used in previously funded SOST projects and have not ensured effective and appropriate delivery of SOST. In the past, SOST projects guaranteed academic integrity of the program and professional staff prepared training plans that included tasks to be performed, competencies to be gained, and training schedules. Previous SOST projects also required a trainer spend at least one hour working with trainees, divided delivery of training between the Contractor and company personnel, and provided SOST at employer's worksite. Although all of these safeguards were elements of previous SOST projects, the CSUN study found a number of critical problems pertaining to the delivery and reimbursement of SOST. The EGUSD has not provided a compelling argument to provide SOST.
- The Panel should also consider the potential of 1,056 other school districts requesting similar projects.
- A key SOST issue raised by the CSUN study indicates that SOST reimbursement is often unrelated to actual costs and "SOST only" projects pay above market prices for one-on-one counseling and generic classroom training. The proposed SOST reimbursement rate is high and staff is unable to determine how the \$6.00 rate was established. Based on the CSUN study, reimbursing SOST at a lower rate would more accurately reflect the actual training cost of SOST.

Customization of Training

The Panel policy is to fund only new-hire training that is industry specific or is for specialized occupations. Cross-industry generic training available to the general public and funded by many other sources will not be funded by ETP.

COMMENTS: (continued)

The curriculum provided is generic and Panel staff cannot determine how the curriculum is customized to the needs of the participating employers or what specific skills training will be provided. The generic curriculum proposed in this program and the forms submitted to substantiate employer demand are not sufficient evidence for staff to determine that the ETP training is customized to the requirements of individual employers or groups of employers in a specific industry.

In order to determine customization of training, staff contacted the participating employers. An Applied Behavior Consultants, Inc. (ABC) representative provided staff with an outline of the ABC Certified Behavior Technician training curriculum. He explained that the six-week training program consists of 108 hour of classroom and internship training. The training program requested by EGUSD is significantly different because it proposes to provide 0-600 hours (450 average hours) of training consisting solely of SOST.

The Aerojet representative contacted confirmed a demand for custodian occupations, but explained that Aerojet was not involved in curriculum development.

The other participating employer has not responded.

PROPOSED ACTION:

Panel Staff is sympathetic to the needs of displaced workers, however staff recommends the Panel deny the proposed Elk Grove Unified School District project due to the lack of compelling evidence to justify lifting of the moratorium, the generic nature of the curriculum, and insufficient customization of training.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Number 1 New Hire (Displaced Workers)	Business Skills Computer Skills Continuous Improvement Skills Manufacturing Skills Special Education	75	62	0	450	\$3,630	*10.00 - \$20.00
**Costs per trainee of \$3,630 are calculated on an average of 62 class/lab hours and an average of 450 SOST hours.							
						<u>Range of Hourly Wages</u>	
						*\$10.00 - \$20.00	
						<u>Prevalent Hourly Wage</u>	
						\$10.00	
						<u>Average Cost per Trainee</u>	
						\$3,630	
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
*Health benefits may be applied to the base wage in order to meet the ETP minimum hourly wage.					20%	0%	

**Participating Employers in Retrainee/New Hire
Multiple Employer Contracts**

Contractor's Name: Elk Grove Unified School District

CCG No.:

Reference No: 03-0318

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PRINT OR TYPE

Company: Aerojet

Address: Highway 50 & Aerojet Road

City, State, Zip: Rancho Cordova, CA 95670

Contact Person/Title: Elizabeth Zacharias

Telephone No.: 916-355-2160

Collective Bargaining Agreement(s): International Association of Machinist, Local 946

Estimated #of employees to be retrained or hired under this Agreement: 20

Total # of full-time company employees worldwide: 1,696

Total # of full-time company employees in California: 1,316

Company: Applied Behavioral Consultants

Address: 4540 Harlin Drive

City, State, Zip: Sacramento, CA 95826

Contact Person/Title: Dr. Joseph Morrow

Telephone No.: 916-364-7800 ext. 114

Collective Bargaining Agreement(s): N/A

Estimated # of employees to be retrained or hired under this Agreement: 20

Total # of full-time company employees worldwide: 280

Total # of full-time company employees in California: 280

Company: California State Automobile Association

Address: 9700 West Taron Dr.

City, State, Zip: Elk Grove, CA 95758

Contact Person/Title: Elena Castillo

Telephone No.: 916-478-6226

Collective Bargaining Agreement(s): N/A

Estimated # of employees to be retrained or hired under this Agreement: 25

Total # of full-time company employees worldwide: 6,000

Total # of full-time company employees in California: 4,000